GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:197
ANSWERED ON:05.08.2005
FEMA CASES
Mehta Shri Bhubneshwar Prasad

Will the Minister of FINANCE be pleased to state:

(a) whether the cases relating to Foreign Exchange Management Act (FEMA) which were being dealt with by the Enforcement Directorate as of now will be settled by the Reserve Bank of India as reported in the 'Economic Times' dated the February 2, 2005;

(b) if so, the basis on which this policy has been changed by the Government;

(c) the number of cases relating to FEMA pending for disposal as on 31st March,2005; and

(d) the number of cases relating to FEMA disposed of by the Reserve Bank of India as on date ?

Answer

FINANCE MINISTER (SHRI P.CHIDAMBARAM)

(a) to (d) : A statement is laid on the Table of the House.

STATEMENT IN REPLY TO LOK SABHA STARRED QUESTION NO.197 FOR ANSWER ON 5TH AUGUST, 2005.

(a) : The Foreign Exchange Management Act, 1999 (FEMA) provides for investigation, adjudication and compounding of contraventions. The Enforcement Directorate continues with the investigation and adjudication of cases under the said Act. In terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000 powers were given to the Reserve Bank of India and the Enforcement Directorate for compounding of contraventions. However, vide an amendment made in September, 2004, in the Foreign Exchange (Compounding Proceedings) Rules, 2000, the powers of Reserve Bank of India were expanded to compound the contraventions of all the sections of FEMA except clause (a) of section 3 of the said Act which prohibits a person to deal in or transfer any foreign exchange or foreign security to any person not being an authorized person. For contravention of the said clause (a) of section 3 of FEMA, the Enforcement Directorate would continue to exercise powers of compounding.

(b) : The amendment in the Foreign Exchange (Compounding Proceedings) Rules, 2004 was made with a view to further simplify and rationalize procedures under FEMA and to provide comfort to the citizens and corporate community by minimizing transaction costs, while taking severe view of willful, malafide and fraudulent transactions.

(c) : As on 31st March, 2005, while in the Directorate of Enforcement, 662 Show Cause Notices were pending for adjudication for violation of various provisions of FEMA, one case which was referred by the High Court of Kolkata to the Reserve Bank of India was pending with the Bank.

(d) : One case has been disposed of by the Reserve Bank of India as on 1st August, 2005.